

IN THE CIRCUIT COURT OF THE NINTH
JUDICIAL CIRCUIT IN AND FOR
ORANGE COUNTY, FLORIDA

AARON CARTER,

Plaintiff,

vs.

LOUIS J. PEARLMAN and TRANS
CONTINENTAL RECORDS, INC., and
LOUIS J. PEARLMAN ENTERPRISES,
INC.,

Defendants.

Case No. 2006-CA-4293

Division: 32

FILED IN OFFICE
CIVIL DIV.
2006 JUL 17 P 5 04
CLERK OF COURT
ORANGE COUNTY, FL.

DEFENDANTS' ANSWER AND AFFIRMATIVE DEFENSES

The Defendants, LOUIS J. PEARLMAN ("Pearlman") and TRANS CONTINENTAL RECORDS, INC. ("Trans Con"), and LOUIS J. PEARLMAN ENTERPRISES, INC. ("LJPE") (collectively referred to as "Defendants") by and through their undersigned counsel, hereby answers the Plaintiff's, AARON CARTER ("Carter") Complaint and assert the following affirmative defenses:

1. Defendants admit, for jurisdictional purposes only, that Carter purports to bring an action that exceeds \$15,000, exclusive of interest, court costs and attorneys' fees. Defendants deny that this Court has subject matter jurisdiction over questions as to the validity or enforceability of the Exclusive Artist Recording Agreement ("Recording Agreement"), as to issues of its judicial approval or over issues related to Carter's minority status at the time of its execution, or over issues related to Carter's attempts to disaffirm the agreement.

2. Admitted only that Carter is a multi-talented pop singer and actor who has experienced success. All other allegations present in this paragraph 2 call for subjective qualification and therefore require no response.

3. Admitted only that Robert Carter was Carter's parental guardian at the time the Exclusive Artist Recording Agreement was executed and that Carter reached the age of majority on December 7, 2005. Defendants are without knowledge as to all other allegations, and, therefore, they are denied.

4. Admitted.

5. Admitted.

6. Admitted.

7. Denied.

8. Admitted only that Pearlman is the President of Trans Continental Records, Inc., the Director of Louis J. Pearlman Enterprises, Inc., and a controlling shareholder of both. All other allegations are denied.

9. Denied.

10. Denied.

11. Denied.

12. Admitted that Pearlman is an experienced, educated businessman and that Pearlman represented that he would perform his contractual obligations with respect to Carter's interests. Without knowledge as to whether Carter and Carter's parents trusted Pearlman and, therefore, denied. Denied that Pearlman directly or impliedly represented that he would perform any duties or take any actions that he was not legally obligated to perform. All other inferences or allegations are denied.

13. Denied.

14. Admitted only that Pearlman was a co-Manager of Carter's along with Robert Carter and that Pearlman is the President of Trans Continental Records, Inc. All other allegations are denied.

15. Admitted only that a Personal Management Agreement was entered into on May 7, 2004 between LIPE, Aaron Carter and Bob Carter where these parties agreed that Pearlman (through LIPE) and Bob Carter would act as Aaron Carter's Co-Managers. Denied that an "Exclusive Management Agreement" was ever executed between the parties. All other allegations are denied.

16. Admitted only that Aaron Carter sued Pearlman and Pearlman counter-sued in a case styled *Aaron Carter by his parents and guardians-in-fact, Robert Carter and Jane E. Carter vs. Trans Continental Records, Inc., and Louis J. Pearlman*, Hillsborough County Circuit Civil Case No. 02-05780. All other allegations are denied.

17. Admitted that a Settlement Agreement and Mutual Release of All Claims ("Settlement Agreement") was entered into between Aaron Carter, Bob Carter, and Pearlman on May 7, 2004. Admit that the Settlement Agreement contained a Confidentiality and Non-Disparagement clause. All other allegations are denied.

18. Admitted that a Settlement Agreement and Mutual Release of Claims was entered into between Aaron Carter, Bob Carter, and Pearlman on May 7, 2004 and that the terms of the Settlement Agreement are confidential, in accordance with the Settlement Agreement's Confidentiality and Non-Disparagement clause. All other inferences or allegations are denied.

19. Denied.

20. Admitted that Carter was in an unrecovered position. All other allegations or inferences are denied.

21. All allegations present in Paragraph 21, including those allegations in subparts (a), (b), and (c), are denied.

22. Admitted only that Pearlman acted as a Co-Manager for Carter under the May 7, 2004 Personal Management Agreement and that Pearlman is the President of Trans Continental Records, Inc. All other allegations in Paragraph 22, including those allegations in subparts (a), (b), (c), (d), (e), and (f), are denied.

23. Denied.

24. Admitted only that Pearlman acted as Co-Manager for Carter under the May 7, 2004 Personal Management Agreement. All other allegations are denied.

25. Admitted only that a Recording Agreement was entered into on December 7, 2004 between Trans Continental Records, Inc. and Aaron Carter. All other allegations are denied.

26. Admitted that the Recording Agreement was executed by Carter and Trans Continental Records, Inc. Admitted that Pearlman executed the Recording Agreement on behalf of LIPE solely for the purpose of confirming its agreement to paragraph 17 of the Recording Agreement. All other allegations are denied.

27. Admit that a Personal Management Agreement was entered into on May 7, 2004 between LIPE, Aaron Carter and Bob Carter where these parties agreed that Pearlman (through LIPE) and Bob Carter would act as Aaron Carter's Co-Managers. Admitted that the execution of the Recording Agreement took place on December 7, 2004. All other allegations are denied.

28. Admitted only that Carter was a minor on December 7, 2004, the date the Recording Agreement was executed. All other allegations present in Paragraph 28, including those allegations in subparts (a), (b), (c), and (d), are denied.

29. Defendants admit only the actual terms of Paragraphs 1 (Term) and 5 (Advances/Royalties) of the Recording Agreement and deny the allegations set forth in this paragraph 29 to the extent they are inconsistent therewith. All other inferences or allegations are denied.

30. Defendants admit only the actual terms of Paragraph 13(b) of the Recording Agreement and deny the allegations set forth in this paragraph 30 to the extent they are inconsistent therewith. All other inferences or allegations are denied.

31. Defendants admit only the actual terms of Paragraph 10(n) of the Recording Agreement and deny the allegations set forth in this paragraph 31 to the extent they are inconsistent therewith. All other inferences or allegations are denied.

32. Defendants admit only the actual terms of Paragraph 13(a) of the Recording Agreement, in its entirety, and deny the allegations set forth in this paragraph 32 to the extent they are inconsistent therewith. All other inferences or allegations are denied.

33. Admitted only that the Recording Agreement was not presented to a Florida court for judicial approval. All other allegations are denied.

34. The allegations present in this paragraph 34 are a legal conclusion and require no response.

35. Admitted only that Trans Continental Records, Inc., with Carter's consent, filed a Petition to Approve Contract of Minor in the Los Angeles Superior Court on February 22, 2005. All other allegations are denied.

36. Admitted only that Carter executed a Waiver on February 8, 2005 which stated, in pertinent part, that "I hereby unconditionally waive to the fullest extent permitted by law any further notice of the hearing on the Petition and consent to the issuance of an order of the court approving the contract of Aaron Carter." All other allegations are denied.

37. Admitted only that Carter warranted at the time of executing the Recording Agreement that he was not a resident of the State of California. Admitted that Trans Continental Records, Inc.'s principal address is in Orlando, Florida. All other allegations are denied.

38. Admitted that the Los Angeles Superior Court approved the Recording Agreement in an Order Approving Contract of Minor on or about April 20, 2005.

39. Admitted only that the Los Angeles Superior Court entered an order denying the Petition to Approve Management Contract of Minor with respect to the Personal Management Agreement, a joint venture between LIPE and Bob Carter, on or about September 29, 2004. All other allegations are denied.

40. Defendants admit the actual terms of the Petition to Approve Contract of Minor, filed in Los Angeles Superior Court on February 22, 2005, and the actual terms of the Order Approving Contract of Minor, filed April 20, 2005, and deny the allegations set forth in this paragraph 40 to the extent they are inconsistent therewith. All other allegations are denied.

41. Denied.

42. Admitted.

43. Defendants admit that Carter's Exhibit "B" to the Complaint is a true and correct copy of a letter dated January 25, 2006 from Holland & Knight and deny the allegations or inferences set forth in this paragraph 43 to the extent they are inconsistent therewith.

44. Defendants admit that Carter's Exhibit "C" to the Complaint is a true and correct copy of a letter dated March 6, 2006 from Holland & Knight and deny the allegations or inferences set forth in this paragraph 44 to the extent they are inconsistent therewith.

45. Denied.

46. Denied.

COUNT I: INJUNCTIVE RELIEF (AGAINST ALL DEFENDANTS)

47. Denied.

48. Denied.

49. Denied.

50. Denied.

51. Denied.

**COUNT II: DECLARATORY RELIEF ON THE RECORDING AGREEMENT
(AGAINST ALL DEFENDANTS)**

52. Defendants admit, for jurisdictional purposes only, that Carter purports to bring an action under Chapter 86, Florida Statutes, for declaratory relief.

53. Admitted.

54. Denied.

COUNT III: FRAUD IN THE INDUCEMENT (AGAINST ALL DEFENDANTS)

55. Denied.

56. Defendants admit only the actual terms of the Recording Agreement and deny the allegations set forth in this paragraph 56 to the extent they are inconsistent therewith. All other inferences or allegations are denied.

57. Denied.

58. Denied.

59. Denied.

COUNT IV: ACCOUNTING (AGAINST ALL DEFENDANTS)

60. Defendants admit only the actual terms of Paragraphs 6, 8, and 11(c) of the Recording Agreement and deny the allegations set forth in this paragraph 60 to the extent they are inconsistent therewith. All other inferences or allegations are denied.

61. Denied.

62. Defendants admit only that Carter's Exhibits "B" and "C" to the Complaint are true and correct copies, respectively, of Holland & Knight letters dated January 25, 2006 and March 6, 2006, and deny the allegations set forth in this paragraph 62 to the extent they are inconsistent therewith. All other inferences or allegations are denied.

63. Without knowledge as to Carter's belief and therefore denied.

64. Denied.

65. Denied.

66. Denied.

COUNT V: BREACH OF CONTRACT (AGAINST ALL DEFENDANTS)

67. Admitted that the Recording Agreement was executed by Carter and Trans Continental Records, Inc. Admitted that Pearlman executed the Recording Agreement on behalf of LJPE solely for the purpose of confirming its agreement to paragraph 17 of the Recording Agreement. All other allegations are denied.

68. All allegations present in Paragraph 68, including those allegations in subparts (a) and (b), are denied.

COUNT VI: BREACH OF FIDUCIARY DUTY (AGAINST PEARLMAN)

69. Admitted that Pearlman executed the Recording Agreement, an agreement between Carter and Trans Continental Records, Inc., on behalf of LJPE solely for the purpose of

confirming its agreement to paragraph 17 of the Recording Agreement. Admitted that a Personal Management Agreement was entered into on May 7, 2004 between LJPE, Aaron Carter and Bob Carter where these parties agreed that Pearlman (through LJPE) and Bob Carter would act as Aaron Carter's Co-Managers. All other allegations are denied.

70. Admitted that a Personal Management Agreement was entered into on May 7, 2004 between LJPE, Aaron Carter and Bob Carter where these parties agreed that Pearlman (through LJPE) and Bob Carter would act as Aaron Carter's Co-Managers. Admitted that the execution of the Recording Agreement took place on December 7, 2004. All other allegations are denied.

71. Denied.

72. Denied.

73. Admitted only that a Personal Management Agreement was entered into on May 7, 2004 between LJPE, Aaron Carter and Bob Carter where these parties agreed that Pearlman (through LJPE) and Bob Carter would act as Aaron Carter's Co-Managers. All other allegations are denied.

74. Admitted only that a Personal Management Agreement was entered into on May 7, 2004 between LJPE, Aaron Carter and Bob Carter where these parties agreed that Pearlman (through LJPE) and Bob Carter would act as Aaron Carter's Co-Managers. All other allegations are denied.

75. Denied.

76. All allegations present in Paragraph 76, including those allegations in subparts (a), (b), (c) and (d), are denied.

77. Denied.

78. Denied.

WHEREFORE, Defendants respectfully demand judgment in their favor, and against Plaintiff, and such other relief as this court deems just and proper.

AFFIRMATIVE DEFENSES

First Affirmative Defense

Carter is equitably estopped from seeking an injunction and from alleging fraud in the inducement because Defendants have relied in good faith on Carter's conduct and consent to judicially approve the Recording Agreement, in order to remove the disability of nonage because Carter was a minor at the time of its execution. Carter was fully aware that judicial approval of the Recording Agreement, by statute, eliminated his ability to disaffirm it based on his minority. Defendants entered the Recording Agreement based on that assurance and changed their position to their detriment because of it. Notwithstanding the judicial approval process, Carter now wrongfully seeks to disaffirm the Recording Agreement based on the disability of nonage.

Second Affirmative Defense

Carter has failed to state a cause of action entitling him to injunctive relief. Carter has not indicated there is no adequate remedy at law for his grievances, nor has he indicated that such an injunction would serve the public interest.

Third Affirmative Defense

Carter's cause of action for breach of contract should be rejected because Carter ratified the Defendants' choice to judicially approve the Recording Agreement in a California court. Carter had full knowledge of the Recording Agreement's terms and fully consented to submitting

the Recording Agreement (via petition) to the courts of California, as opposed to Florida, for judicial approval. Based on Carter's full knowledge and consent to the jurisdiction of the California court and his continued performance under the Recording Agreement after its approval, Carter ratified the Defendants' actions and choice of forum.

Fourth Affirmative Defense

Carter has waived any claims against Defendants regarding the validity, interpretation, and judicial affirmation of the Recording Agreement because he unconditionally waived, under the penalty of perjury, his notice of any hearings in California and he consented to California as the jurisdiction in which the Recording Agreement would be submitted for judicial approval. In addition, in his Waiver, Carter consented to the issuance of an order to approve the Recording Agreement by the courts of California.

Fifth Affirmative Defense

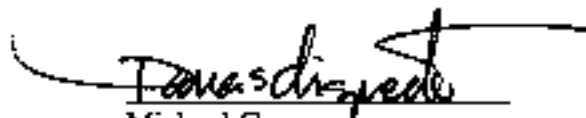
Carter's request for injunctive relief is barred by the doctrine of unclean hands. Carter attempts to disaffirm the Recording Agreement knowing that it has been judicially approved, which effectively prohibits him from doing so on the basis of his minority status at the time of execution. In fact, Carter never intended to be bound under the terms of the Recording Agreement. Carter was aware of the effects of the judicial approval, and despite being unable to do so, still seeks, in bad faith, to stop performing under the Recording Agreement.

Sixth Affirmative Defense

Carter is barred from bringing suit in Florida, because this Court does not have subject matter jurisdiction to decide this dispute. The parties dispute centers around the validity and

enforceability of the Recording Agreement's judicial approval by the courts of the State of California. The Recording Agreement's choice of law clause indicates that California law controls the interpretation of the Recording Agreement as to issues of its judicial approval and controls issues related to Carter's minority status at the time of its execution. Further, the forum clause indicates that California, as opposed to Florida, is the forum where this dispute should be decided. Both Aaron Carter and Robert Carter (as Aaron's parent and guardian ad litem) consented to California's jurisdiction to affirm the Recording Agreement; therefore, the California court has continuing subject matter jurisdiction over questions of the Recording Agreement's validity and enforceability and over any challenges to the California court's order affirming the Recording Agreement.

Respectfully submitted this 17th day of July, 2006.



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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by United States Mail this 17th day of July 2006 to The Honorable Renee Roche, Circuit Court Judge, Orange County Courthouse, 425 North Orange Avenue, Orlando, Florida, Clay Townsend, Esq., and Keith Mitnik, Esq., 20 North Orange Avenue, 16th Floor, P.O. Box 4979, Orlando, FL 32802.



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